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Processing USDA-Donated Commodities

Getting More Out of USDA Food: Processing Contracts Can Help

Each year, schools, institutions, and day care centers throughout the country receive millions of dollars' worth of donated food. The U.S. Department of Agriculture (USDA) acquires the food through price support, surplus removal, and other legislation and offers it to these recipient agencies through the Food Distribution Program of the Food and Nutrition Service (FNS). Rising costs, inadequate facilities, and limited personnel make it difficult for many recipient agencies to benefit efficiently from some of the donated food they receive. Some donated food items are not easy to use in their original form. And, at certain times during the year, more of a particular item may be available than a recipient agency can use at that time.

Recipient agencies are increasingly turning to the food processing industry, with its modern, efficient production facilities and techniques, to convert the food into more convenient and usable forms.

While helping the various recipient agencies economize on food costs, processing contracts also offer processors the opportunity to build their sales volumes. These contracts, therefore, benefit the processors, the users, and all the people who are served nutritious meals through eligible program sites.

What Is a Processing Contract?

A processing contract is a written agreement with a commercial food processor to provide a service or a product made partially or wholly from food donated by USDA. A contract may be for using donated food to make a final product; preparing preplated meals; or repackaging or otherwise converting donated food into more convenient forms.

Contracts can be either negotiated directly with a processor or awarded through bids submitted against specifications. No matter which procedure is used, all processing contracts must be approved by the State distributing agency.

Processing contracts help recipient agencies make the most efficient use of donated food. They also help them provide more varied and higher quality meals, reduce labor and waste, and stabilize costs through portion control. In addition, they help processors build their sales volume.

What Foods Are Processed Under Contracts?

A large variety of products have been processed from donated foods. Among them:

- bread and other baked products from flour, nonfat dry milk, shortening, butter, rolled wheat and oats, raisins, and peanut butter and granules;
- pizza from flour, cheese, tomato paste, and oil;
- ice cream and frozen yogurt from nonfat dry milk;
- mayonnaise and salad dressing from soybean oil;
- precooked, portion-controlled meatballs, beef patties, and meat loaves from ground beef or ground pork, or both; and
- precooked, portion-controlled nuggets, patties, and roasts from chicken or turkey.

Who Can Enter Into a Processing Contract?

In some States, the State distributing agency negotiates all agreements with processors. In others, the State distributing agency permits subdistributing agencies as well as recipient agencies to negotiate agreements with processors on their own. However, all contracts for processed products must be approved by the State distributing agency.

A processor interested in negotiating a contract must submit yield and price data to the distributing agency for evaluation. The data must show the exact quantity of donated ingredient contained in each unit of end product, and the net price per unit must reflect a discount or refund equal to the full value of the donated ingredient used.

All processors are required to submit monthly performance reports to the State distributing agency.

What Ingredients May Be Substituted?

Processors may sometimes substitute commercial for donated ingredients. For example, baking companies may substitute their own flour for donated flour, or mix the two. However, only certain ingredients may be substituted, and then only with ones of equal or higher quality. Meat or poultry items may never be substituted.

FNS currently allows substitution of butter, cheese, corn grits, corn meal, flour, macaroni, nonfat dry milk, peanut butter and granules, roasted peanuts, rice, rolled oats, rolled wheat, shortening, soybean oil, and spaghetti. State distributing agencies may allow other food to be substituted, with the concurrence of FNS.

How Does the Food Reach the Processor?

If the volume is sufficient, donated food can be shipped directly from USDA to the commercial processor. With smaller volumes, USDA ships the food to State warehouses. From there it is transferred to the processor.

What Foods Are Available?

The kinds and quantities of USDA-donated foods available vary with market conditions. FNS regional offices can supply up-to-date information on the availability of these donated foods:

Applesauce, canned	Flour, baker's hard wheat	Pork, frozen ground
Apples, fresh	Flour, baker's soft wheat	Potatoes, canned
Apple juice, canned	Flour, durum	Potatoes, frozen fries
Apricots, canned	Fruit, mixed, canned	Potatoes, frozen rounds
Beans, dry	Green beans, canned	Potatoes, instant mashed
Beans, vegetarian	Green beans, frozen	Poultry, canned, boned
Beef, canned	Macaroni	Raisins
Beef, frozen ground	Milk, nonfat dry	Rice, brown
Bulgur	Oats, rolled	Rice, milled
Butter	Orange juice, canned	Shortening, vegetable
Cheese, cheddar	Orange juice, frozen	Soybean oil
Cheese, mozzarella	Peaches, canned	Spaghetti
Cheese, process	Peanut butter	Sweet potatoes, canned
Chicken, frozen, cut up	Peanut granules	Tomatoes, canned
Corn, canned	Peanuts, roasted	Tomato catsup
Corn, frozen	Pears, canned	Tomato juice, canned
Corn, grits	Peas, canned	Tomato paste, canned
Corn meal	Peas, frozen	Turkeys, whole, frozen
Cranberries, canned, jellied	Peas, dry split	Turkey roasts
Flour, all purpose	Pineapple, canned	Vegetables, mixed, frozen
	Plums, canned	Wheat, rolled
	Pork, canned	

Where To Get Help

Each FNS regional office has a specialist in processing contracts who can assist you with your questions. The regional office can supply sample contracts and official instructions for agencies and processors to follow. Ask for the Federal regulations for the Food Distribution Program, 7 CFR Part 250. The regional office can also furnish specifications on the donated foods as purchased by USDA.

Northeast Regional Office

Food and Nutrition Service
U.S. Department of Agriculture
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Boston, Massachusetts 02222
Telephone: (617) 565-6370
*Connecticut, Maine, Massachusetts,
New Hampshire, New York,
Rhode Island, Vermont*

Southeast Regional Office

Food and Nutrition Service
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Midwest Regional Office

Food and Nutrition Service
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Mid-Atlantic Regional Office

Food and Nutrition Service
U.S. Department of Agriculture
Mercer Corporate Park
CN 02150
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Pennsylvania, Washington DC,
Virginia, West Virginia,
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Southwest Regional Office

Food and Nutrition Service
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1100 Commerce Street, Room 5-C-30
Dallas, Texas 75242
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Mountain Plains Regional Office

Food and Nutrition Service
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Western Regional Office

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